

Malaysia's economy projected to grow 6.7% in 2021

KUALA LUMPUR: HSBC Group has projected Malaysia's gross domestic product (GDP) growth for 2021 at 6.7% compared with an estimated 5.4% contraction last year.

Asian economics research co-head Frederic Neumann said the Movement Control Order (MCO) 2.0 currently in place was expected to pose economic challenges at the beginning of the year.

"But we are confident that the economic effects are going to dissipate quickly over the course of the year," he said during the HSBC Asian Outlook 2021 virtual press conference here, yesterday.

At the Asean level, he said 2020 was a tough year which saw a lot of challenges in Thailand, Malaysia and Indonesia amid the rise in Covid-19 infections.

"However, we expect strong growth across the region from the second quarter.

"The vaccine roll-out might take a little longer in South-East Asia compared with other developed markets and that might retard the normalisation of domestic

demand and tourism for countries like Thailand. Nevertheless Asean would remain on a fairly strong path," he said.

He noted the downside risk for Asean's growth would be the vaccination programme not being handled on time but generally speaking the risk is relatively low.

On another note, he said HSBC is forecasting one more rate cut by Bank Negara this year due to the MCO and the economic impact at the beginning of the year.

On the ringgit's performance, global head of FX research Paul Mackel said the local currency, in line with Asian currencies, is resilient and has room to strengthen further, and is forecast to strengthen to 3.96 versus the US dollar by year-end.

He said the headwinds facing Asian currencies including the ringgit are seen dissipating while the gradually rising commodity prices and portfolio flows especially in the fixed income space would help to underpin the performance of the currency.

Head of global EM rates research Andre

de Silva shared that Malaysia is one of the favourable key markets in the fixed income space outside China.

He said the portfolio flows which started last year could accelerate further on a combination of real yield, prospect of further easing and indexation consideration, which is quite bullish for Malaysia.

On the equity market, head of equity strategy, Asia Pacific, Herald van der Linde said Bursa Malaysia is expected to see 8% upside to the 1,780 level this year.

"Typically, we would consider Malaysia to be a defensive market as there is always good demand domestically with no volatility in valuation.

"This is the market you want to have exposure from a defensive point of view," he said.

He said this, however, has changed to a certain extent due to the glove makers' phenomenal performance resulting in Malaysia emerging as the best performing Asean equity market. — Bernama